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# UNIVERSITY COLUMNS

Natchitoches, Louisiana

Financial Report

Year Ended June 30, 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/20/08

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# Darnall, Sikes, Gardes & Frederick

(A Corporation of Certified Public Accountants)

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## Independent Auditor's Report

The Board of Directors  
University Columns  
Natchitoches, Louisiana

We have audited the accompanying financial statements of University Columns, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of University Columns' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University Columns as of June 30, 2007, and changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 21, 2008, on our consideration of University Columns' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

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Our audit was performed for the purpose of forming an opinion on the basic financial statements of University Columns taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Management's discussion and analysis, supplementary information required by the Governmental Accounting Standards Board, is not a required part of the basic financial statements. University Columns has not presented this information as part of the financial report for the fiscal year ended June 30, 2007.

*Dannall, Sikes, Gaudes & Frederick*

A Corporation of Certified Public Accountants

Eunice, Louisiana

March 21, 2008

## **BASIC FINANCIAL STATEMENTS**

# UNIVERSITY COLUMNS

## Statement of Net Assets

June 30, 2007

### ASSETS

#### ASSETS

Cash	\$ 109,163
Rents and fees receivable, net	88,615
Cash - restricted	107,629
Prepaid expenses	41,711
	<u>347,118</u>

#### PROPERTY AND EQUIPMENT, at cost

Less: accumulated depreciation	6,942,614
	<u>(2,664,780)</u>
	<u>4,277,834</u>

#### OTHER ASSETS

Loan costs, net of amortization	<u>51,696</u>
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#### TOTAL ASSETS

\$ 4,676,648

### LIABILITIES AND NET ASSETS

#### LIABILITIES

Accounts payable	\$ 33,161
Intercompany accounts payable	95,117
Accrued interest payable	756,161
Deferred rent revenue	46,888
Security deposits	48,595
	<u>979,922</u>

Related party loans	2,002,011
---------------------	-----------

Notes payable	<u>1,934,555</u>
	<u>3,936,566</u>

#### TOTAL LIABILITIES

4,916,488

#### NET ASSETS

Invested in capital assets, net of debt	(341,268)
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Restricted	15,444
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Unrestricted	<u>85,984</u>
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Total net assets (deficit)	<u>(239,840)</u>
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#### TOTAL LIABILITIES AND NET ASSETS

\$ 4,676,648

See accompanying notes.

UNIVERSITY COLUMNS

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Years Ended June 30, 2007

SUPPORT AND REVENUES

Apartment rent	\$ 1,597,522
Fee income	95,893
Interest income	4,559
Miscellaneous	<u>39,578</u>
Total support and revenue	1,737,552

OPERATING, GENERAL, AND  
AND ADMINISTRATIVE EXPENSES

1,526,291

INCREASE IN NET ASSETS

211,261

NET ASSETS (DEFICIT), beginning

(451,101)

NET ASSETS (DEFICIT), ending

\$ (239,840)

See accompanying notes.

# UNIVERSITY COLUMNS

## Statement of Cash Flows Years Ended June 30, 2007

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from students and users	\$ 1,726,087
Payments to suppliers	(953,077)
Payments to employees and related benefits	(235,639)
Net cash provided by operating activities	<u>537,371</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of property and equipment	<u>(20,496)</u>
Net cash used by investing activities	<u>(20,496)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Repayment on long term debt	<u>(555,079)</u>
Net cash used by financing activities	<u>(555,079)</u>
Net decrease in cash and cash equivalents	(38,204)
CASH AND CASH EQUIVALENTS, beginning of year	<u>254,996</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 216,792</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Increase in net assets	\$ 211,261
Adjustments to reconcile increase in net assets to net cash used by operating activities:	
Depreciation and amortization	205,182
Increase (decrease) in:	
Rent and fees receivable	(13,713)
Prepaid expenses	(25,802)
(Increase) decrease in:	
Accounts payable	13,154
Interest payable	152,386
Deferred rent revenue	2,261
Security deposits payable	(7,358)
Net cash provided by operating activities	<u>\$ 537,371</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENTS OF CASH FLOWS TO THE STATEMENT OF NET ASSETS:</b>	
Cash and cash equivalents, end of year	
Cash - unrestricted	\$ 109,163
Cash - restricted	<u>107,629</u>
Total cash and cash equivalents	<u>\$ 216,792</u>
<b>SUPPLEMENTAL DATA</b>	
Interest paid	<u>\$ 240,613</u>

See accompanying notes.



## UNIVERSITY COLUMNS

### Notes to Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Organization and Nature of Operations

University Columns provides student housing to students on the campus of Northwestern State University, Natchitoches, Louisiana. University Columns apartment complex is managed under contract by Campus Living Villages Fund (Campus), a student housing organization based in Australia. All personnel employed in the leasing, management, maintenance and operation of University Columns are employees of Campus.

##### Basis of Accounting

University Columns utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis of accounting in accordance with generally accepted accounting principles.

##### Depreciation

Depreciation is calculated over the estimated useful lives of the respective assets using the straight-line method.

##### Maintenance, Capitalization, and Disposal Policies

Repairs and maintenance are expensed as incurred. Expenditures incurred in the construction or that increase the value or productive capacity of assets are capitalized. When property and equipment are retired, sold, or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations.

##### Statement of Cash Flows

For the purpose of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid interest-bearing deposits with a maturity of three months or less when purchased.

##### Use of Estimates

Preparation of University Columns' financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### Loan Costs

Loan costs are being amortized on a straight line basis over the term of the related loan.

# UNIVERSITY COLUMNS

## Notes to Financial Statements

### NOTE 2 CASH AND CASH EQUIVALENTS

Unrestricted:	
J. P. Morgan Chase - operating	\$ 109,163
Total unrestricted cash	<u>109,163</u>
Restricted:	
Sabine State Bank - rent deposits	26,601
Sabine State Bank - security deposits	64,039
Bank of New York Trust Co. of Florida:	
Project Holding Account	<u>16,989</u>
Total restricted cash and cash equivalents	<u>107,629</u>
Total cash and cash equivalents	<u>\$ 216,792</u>
	Bank Balance
	<u>2007</u>
Unrestricted:	
J. P. Morgan Chase - operating	\$ 155,216
Total unrestricted cash	<u>155,216</u>
Restricted:	
Sabine State Bank - rent deposits	9,828
Sabine State Bank - security deposits	64,687
Bank of New York Trust Co. of Florida:	
Project Holding Account	<u>16,889</u>
Total restricted cash and cash equivalents	<u>91,404</u>
Total cash and cash equivalents	<u>\$ 246,620</u>

### NOTE 3 PROPERTY AND EQUIPMENT

Category	Cost	Estimated Useful Lives
Building	\$ 5,613,269	40 years
Streets, sidewalks and pool	578,150	40 years
Fences, gates and signs	130,491	15 years
Interior fixtures	196,898	5 years
Furniture and lighting	114,941	10 years
Equipment	<u>308,865</u>	10 years
Total depreciable assets	6,942,614	
Less: Accumulated depreciation	<u>(2,664,780)</u>	
Net depreciable assets	<u>\$ 4,277,834</u>	

# UNIVERSITY COLUMNS

## Notes to Financial Statements

### NOTE 4 RELATED PARTY TRANSACTIONS

During development and opening of the project, a total of \$700,000 in construction management, marketing, value engineering, and development expenses were paid to a related party and capitalized as part of the building cost.

As compensation for running the daily operations of the apartment complex, a monthly management fee of 5% of gross revenues is paid to a related party. The amount recorded as due to related parties includes costs paid on behalf of the complex by related parties for management fees, expenses and construction.

### NOTE 5 COMMITMENT

Campus has built and operates the apartment complex on land leased from Northwestern State University of Louisiana at Natchitoches. The lease expires on September 1, 2034. The annual rent is equal to an annual base rent of \$1,000 plus an amount equal to 25% of the fund's net cash flow as defined in the ground lease agreement. Additionally, an annual rental of 5% of the net cash flow is to be paid to the improvements owner, an organization in connection with the project. All furniture, fixtures and equipment permanently affixed to the land become the property of Northwestern State University of Louisiana at Natchitoches upon expiration of the lease. However, at any time during the term of the lease, Northwestern State University of Louisiana Natchitoches has the right to purchase the complex at a purchase price as defined in the ground lease agreement.

### NOTE 6 LONG TERM DEBT

#### Project Mortgage

The Project Mortgage is owed to Connecticut Finance Company, L.P., an affiliate of Campus Living Villages. The Project Mortgage provides for payments of principal and interest at 8.85% in monthly installments with the final payment due September 2009. Unpaid scheduled principal and interest, if any, do not accrue beyond September 2009.

\$ 1,934,555

The annual requirements to amortize debt outstanding at June 30, 2007 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>
2008	\$ 689,333
2009	794,001
2010	<u>451,221</u>
Total principal payments	<u>\$1,934,555</u>

## UNIVERSITY COLUMNS

### Notes to Financial Statements

#### NOTE 7 RELATED PARTY LOANS

A loan procedure exists whereby, the complex cash flows, after the payment of percentage rent to the Lessor, are made available to support the payment of the Project Mortgage and Permitted Mortgages of other affiliated partnerships with interest at 10%. At June 30, 2007, \$1,135,719 is owed affiliates under this loan procedure.

There is a note obligation to an affiliate with interest at an effective rate of 3%. Unpaid scheduled principal and interest, if any, do not accrue further interest. The note is payable monthly from the cash flow after payment of all project costs and expensed, the Project Mortgage, related party loans, percentage rent to the Lessor and advances under related party loan procedures.

The Complex is a co-obligor with other affiliated entities on notes and accrued interest to an affiliate and is a contingent beneficiary or is contingently liable on such notes. Once the note is current, any excess cash flow is made available as loans to support the payment of the notes of other affiliated companies. The amount of outstand principal of the note is \$866,292 at June 30, 2007.

## **INTERNAL CONTROL AND COMPLIANCE**



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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of  
University Columns  
Natchitoches, Louisiana

We have audited the financial statements of University Columns as of and for the year ended June 30, 2007 and have issued our report thereon dated March 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered University Columns' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of University Columns' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether University Columns' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Dannall, Sikes, Gaudes & Frederick*

A Corporation of Certified Public Accountants

Eunice, Louisiana  
March 21, 2008

UNIVERSITY COLUMNS

Summary of Prior Year Findings  
Year Ended June 30, 2007

There are no prior year audit findings.



## UNIVERSITY COLUMNS

### Schedule of Findings and Questioned Costs Year Ended June 30, 2007

#### Part I Summary of Auditor's Results

##### FINANCIAL STATEMENTS

##### Auditor's Report – Financial Statements

An unqualified opinion has been issued on University Columns' financial statements as of and for the year ended June 30, 2007.

##### Reportable Conditions - Financial Reporting

There were no reportable conditions in internal control over financial reporting noted during the audit of the financial statements.

##### Material Noncompliance - Financial Reporting

The results of our tests disclosed no instances of noncompliance which are required to be reported under *Government Auditing Standards*.

##### FEDERAL AWARDS

This section is not applicable for the fiscal year ended June 30, 2007.

#### Part II Findings Relating to an Audit in Accordance with *Government Auditing Standards*

There were no reportable conditions or instances of material noncompliance noted during the audit.

#### Part III Findings and Questioned Costs Relating to Federal Programs

This section is not applicable for the fiscal year ended June 30, 2007.

## **SUPPLEMENTAL INFORMATION**

# UNIVERSITY COLUMNS

## Schedules of Operating, General and Administrative Expenses Years Ended June 30, 2007

Advertising	\$ 9,239
Amortization expense	19,631
Bad debt expense	87,067
Contract services	122,816
Depreciation expense	185,551
Insurance	118,717
Interest expense	313,862
Management fee	96,760
Meals and entertainment	1,944
Miscellaneous	34,777
Office expense	7,743
Payroll taxes	16,304
Postage	3,724
Professional fees	26,955
Repair and maintenance	72,316
Salaries	219,335
Supplies	10,342
Telephone	9,301
Training	1,078
Travel	6,761
Utilities	<u>162,068</u>
	<u>\$ 1,526,291</u>

See independent auditor's report on additional information.